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DPS-3109
Copy 2 of 10
8 August 1958

The Ramo-Wooldridge Corporation
Los Angeles 45, California

Subject: Contract Nos. A-101, A-102, A-103 and NY-A-501

Gentlemen:

Reference is made to your letter dated 1 August 1958, CMCC
Doc. No. 151X5.1196 requesting approval of revised provisional
billing rates retroactive to January 1, 1958.

The following rates are hereby approved:

Control Systems Division)
Electronic Research Lab)
Communications Division
Research and Development -
Resident Field Engineering.....
Other (In-plant).....
Pilot Line
Labor.....
Material.....
Space Technology Laboratories
General Research and Development.....
Physical Research Laboratories.....
Electronic Instrumentation Company
Research and Development.....
Production - Labor.....
Production - Material Handling.....
Reconnaissance Data Processing Project Office
Research and Development.....
Corporate G & A.....

The aforementioned rates are for billing purposes only and are
subject to further change.

Very truly yours,

Contracting Officer

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Distribution:

Orig - [redacted]
2 - A-101, Folder 2, w/DPS-3171

3 - A-102 (A+I)

4 - A-103 (A+I)

5 - NY-A-501 (A+I)

6 - 9 - Finance

10 - C - RLT

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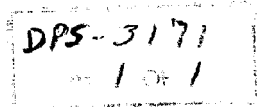
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August 1, 1958

Dear Dan:

Based on the results of the first quarter and the month of April, the corporation proposed and received approval of the Resident Air Force Administrative Contracting Officer for revision of provisional billing rates retroactive to January 1, 1958. Attached are copies of the correspondence between the contractor and the AFCCO which indicate the rates approved.

The new rates reflect a decision made by the Communications Division in April to change the method of accounting for Division Administrative Expense. Whereas we formerly booked Division Administrative Expense as a separate item in a manner similar to G&A, and combined it with Corporate General and Administrative Expense for billing purposes, we now include it with the Overhead for both booking and billing purposes. The distribution of this expense to the R&D and Pilot Line organizations is not changed. However, the billing rate for G&A in the Communications Division is now the same as the corporate G&A rate.

The new rates also reflect a change in the method of distributing overhead in the Pilot Line. Last year the AFCCO approved a policy (see Controller's Policy 1-20.10 attached) which provided for the establishment of separate burden rates for labor and material used in production, when it becomes unreasonable to distribute the overhead incurred for material handling on the basis of direct labor dollars. Until this year, the distribution of material overhead to projects was not significantly different under the new policy than under the former policy. However, with decreases in the amount

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of fabrication and assembly labor forecast for 1958, and substantial spares requirements still to be shipped or defined, it became evident that using a separate basis for distributing overhead generated by material handling would be more equitable.

The changes in the accounting methods were made in May retroactive to January 1, 1958. They were reviewed with [redacted]

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[redacted] prior to being put into effect. Revision of billing rates was delayed pending the Corporation's reaching an agreement with the Air Force Contracting Officer on other changes being incorporated at the same time.

Your approval of the new billing rates is requested. In the meantime, we have mailed Voucher Nos. 2141 - 2147 for costs computed at the new billing rates and including adjustments for costs billed since January 1, 1958. Additional vouchers for costs at the new rates will be submitted each week pending your reply.

Sincerely,



Sid

Enclosures

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